Appendix I: Medical companies

Leadership built on strong competitive advantages

Strong competitive advantages...

Medequip's position is built on strong competitive advantages including:

- High quality products: Medequip is an exclusive distributor in Egypt for 10 international manufacturers of medical equipment, some for over 20 years
- Sales support: Medequip offers its clients a highly qualified and trained personnel specialised by medical application and fluent in Arabic, a unique feature in the industry
- Quality: given its critical size, Medequip keeps a larger stock of spare parts than its competitors and has a strong track record of timely delivery (over 90% up-time)
- Finance: Medequip offers its clients (mostly from the private sector) financing solutions for the acquisition of their medical equipment
- Vertical integration: Medequip is the only fully integrated provider in Egypt, enabling it to win most medical turnkey projects (with or without construction) and generate higher margins than its competitors

Growth fuelled by market expansion and vertical integration

...fuelling phenomenal growth

In the last few years, Medequip exhibited an exponential growth, with top line growing at 22% pa since 1996, while bottom line skyrocketed by a staggering 324% CAGR (see table).

1996–1999: Profit and loss highlights

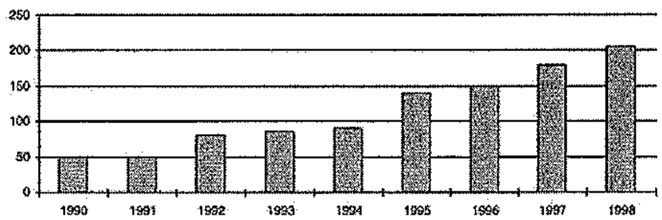
LEm	1996	1997	1998	CAGR(%)
Revenues	170.3	201.0	253.5	22%
Gross profits	8.6	37.6	67.3	179%
Net Profit after taxes	1.1	4.1	19.8	324%

Source: Lakah Group, HSBC

Imports of medical equipment growing at 20% per year

Over the last three years imports of medical equipment have surged by over 20% per year, and conservative estimates (associated to the construction of new hospitals) put the growth at over 15% for the next three years. This obviously benefited Medequip, the leading medical equipment distributor in Egypt (see graph).

1990–1998: Medical equipment imports (US$m)

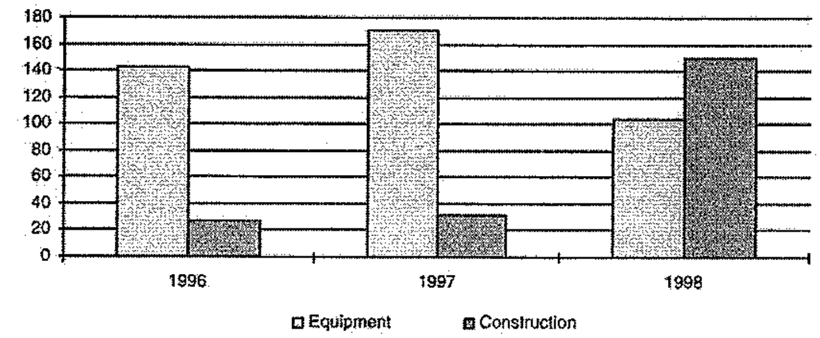


Source: Ministry of Health, Lakah Group, HSBC Securities

Appendix I: Medical companies

Vertical integration to construction boosted top line growth
Medequip has been awarded the highest rating for a construction company, Class 'A' by the Ministry of Housing and Construction. Only Class A companies are allowed to bid for the construction of public hospitals. The growth of construction has been a key contributor of top line growth. The Group has also started an aggressive expansion of its construction activity into non-medical projects. These projects, similar in nature to medical construction, will enable Medequip to optimise its existing asset base.

1996–1998: Breakdown of sales



Source: Lakah Group, HSBC

Growth prospects remain very good
The healthcare reform in Egypt calls for the construction of over 800 hospitals in Egypt by 2002. These will have to be equipped with medical equipment, allowing Medequip to generate a healthy stream of top line revenues both for construction and medical equipment.

Financial Summary

Profit and loss statement (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Equipement and Maintenance	170.1	152.2			181.2	208.4	239.6
Construction	31.2	103.5			186.2	260.7	351.9
Other Income	0.2	1.1			0.0	0.0	0.0
Total sales and service	**201.5**	**256.8**	**74.0**	**201.8**	**367.4**	**469.1**	**591.5**
Sales growth (%)		*27.5%*		*172.9%*	*43.1%*	*27.7%*	*26.1%*
COGS	163.2	185.3	56.9	143.1	259.0	330.7	417.0
Depreciation	0.2	0.9	0.1	0.1	1.2	1.6	1.9
Gross profits	**38.1**	**70.6**	**17.0**	**58.6**	**107.1**	**136.8**	**172.6**
Gross profit margin (%)	*18.9%*	*27.5%*	*23.0%*	*29.0%*	*29.2%*	*29.2%*	*29.2%*
General and admin expenses	21.8	26.0	8.5	19.9	36.7	42.2	53.2
Operating profits	16.2	44.6	8.5	38.7	70.4	94.6	119.4
EBIT margin (%)	8%	17%	11%	19%	19%	20%	20%
Net cash interest	0.0	0.0	0.0	0.0	2.9	4.7	3.1
Credit interest	0.0	0.0	0.0	0.0	26.9	33.4	40.3
Financing expense	8.2	14.7	3.4	4.4	12.7	15.0	17.4
Provisions for doubtful debts	0.0	1.0	1.4	0.0	6.1	2.0	2.2
Other	-1.0	-1.6	0.0	-0.7	-2.2	-0.2	-0.2
Net profits before tax	**7.1**	**27.3**	**3.6**	**33.6**	**79.1**	**115.4**	**143.1**
NPBT margin	3.5%	10.6%	4.9%	16.6%	21.5%	24.6%	24.2%
Tax provision	2.9	7.5	0.0	8.8	21.7	36.2	47.2
NPAT	4.1	19.8	3.6	24.8	57.5	79.3	95.8
NPAT margin (%)	*2.0%*	*7.7%*	*4.9%*	*12.3%*	*15.6%*	*16.9%*	*16.2%*
NPAT growth (%)		*383.7%*		*591.4%*	*189.7%*	*37.9%*	*20.9%*
Legal reserve	0.0	1.2	0.0	0.0	2.9	4.0	4.8
Retained earnings	4.1	18.6	0.0	0.0	25.9	35.7	43.1
Dvidend paid	0.0	0.0	0.0	0.0	28.7	39.6	47.9
Dividend pay-out ratio	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*50.0%*	*50.0%*	*50.0%*

Source: Lakah Group, HSBC

Balance sheet (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Cash	4.4	4.4	50.0	5.9	53.8	39.9	22.3
Debtors- Short term balances	18.0	23.7	19.3	17.4	0.0	0.0	0.0
Suppliers	18.6	26.6	24.6	31.3	29.4	37.5	47.3
Letters of credit	0.0	0.0	0.0	3.2	0.0	0.0	0.0
Lease receivables	5.7	15.0	8.6	10.3	38.5	48.2	58.4
Accounts receivable	13.3	27.2	16.8	56.7	36.7	46.9	58.2
Inventory	24.4	68.9	37.6	78.5	73.5	93.8	118.3
Work in progress	36.2	67.8	46.6	76.2	93.1	130.3	176.0
Current Assets	120.6	233.6	203.3	279.5	325.0	396.7	481.5
Fixed Assets (net)	3.7	3.9	3.8	3.7	4.2	4.1	4.1
Deffered expenses (net)	3.4	2.6	3.2	2.2	2.6	2.6	2.6
Lease receivables	40.1	98.8	57.0	100.7	129.3	160.5	193.4
Investment in securities	3.1	5.3	3.8	5.3	5.3	5.3	5.3
Total Fixed Assets	**50.3**	**110.7**	**67.7**	**112.0**	**141.6**	**172.6**	**205.5**
Due to banks	15.1	9.4	12.6	31.1	32.0	32.0	32.0
Creditors short-tem	11.8	9.5	11.3	2.4	18.4	23.5	29.6
Accounts payable	13.6	9.4	12.3	9.2	55.1	70.4	88.7
Long term loans- current portion	0.0	36.4	18.7	27.3	0.0	0.0	0.0
Provisions	6.3	9.8	6.3	19.0	8.4	10.4	12.6
Total Current Liabilities	**46.7**	**74.4**	**61.3**	**89.1**	**113.9**	**136.2**	**162.9**
Long-term loans	**100.0**	**145.8**	**102.0**	**154.0**	**199.8**	**240.7**	**283.7**
Issued and paid in capital	20.0	100.0	100.0	100.0	100.0	100.0	100.0
Legal reserve	0.0	1.2	0.0	1.2	4.1	8.0	12.8
Retained earnings	4.2	22.8	7.8	47.2	48.7	84.4	127.5
Total Shareholders equity	24.2	124.0	107.8	148.4	152.8	192.4	240.3

Source: Lakah Group, HSBC

Appendix I: Medical companies

Trading Medical Systems Egypt

- **Unique local service approach, innovative financing options...**
- **...and expansion to a regional role drive 24% revenue CAGR (1996–99)**
- **Move into new markets and technology to drive future growth**

Unique service, innovative financing....

Exclusive supplier of Toshiba scanning equipment

TMSE was spun off Medequip to handle the sale, financing, installation, and servicing of Toshiba scanning equipment. TMSE has become the leading supplier of radiology equipment in Egypt. Its success has hinged on its locally-based, native service experts and financing for the private sector.

Locally based, Arabic speaking technicians

TMSE offers training and customer service from expertly-trained Arabic speakers located in Cairo, while the competition (Siemens and Phillips, represented by El Gomhoria) must fly in non-Arabic speaking technicians.

Financing for private sector

Many private sector medical centres are unable to purchase equipment (costing US$200,000–2.2m), TMSE is the only supplier offering financing (at 16%) for equipment purchase.

...drive massive growth in market share

Market share tripled 1993–1998

TMSE's service and financing have proved massively successful with the company more than tripling its market share over the past five years.

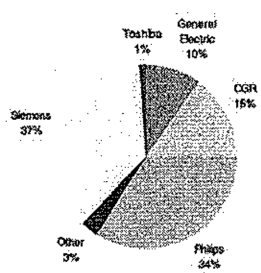
Massive growth in market share

Technology	Market share 1993	Market share 1998
Computerised Tomography (CT) scanners	9%	46%
Magnetic Resonance Imaging (MRI)	0%	39%
Angiography	8%	30%
Gamma Camera	0%	35%

Source: Lakah Group, HSBC

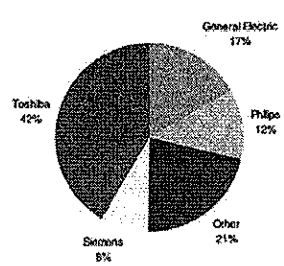
As a result of this phenomenal growth TMSE has gone from 1% to 42% of the total radiology equipment market in the 12 years since its founding.

Radiology equip. market (1986)



Source: Lakah Group, HSBC

Radiology equip. market (1998)



Source: Lakah Group, HSBC

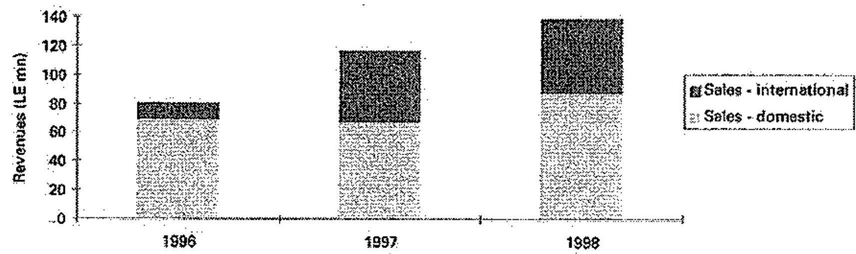
Appendix I: Medical companies

Expansion into region adds to sales growth

TMSE has proved so successful as Toshiba's agent in Egypt that in 1994 the company was made its exclusive agent for all of the Middle East, North Africa, and West Africa. In 1996, TMSE became the agent for Turkey.

International sales rise from 13% to 37% of total over last three years

Revenues breakdown



Source: Lakah Group, HSBC

The future of TMSE : New market and new technology

TMSE's strategy for the future is based on leveraging its key success drivers: customer service and innovative financing, into an expanding regional network. In the last four months TMSE has begun supplying equipment to Nigeria and Algeria. TMSE also plans to leverage its relationship with Toshiba into new technology in the field of telemedicine and imaging networks in the coming year.

New markets and new technology

Financial Summary

Profit and loss statement (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Sales & service - International	49.1	51.7	29.5	21.8	67.0	83.7	104.6
Sales & service - Egypt	60.5	65.0	37.1	27.8	70.5	84.6	97.3
Sales & service - Medequip	7.4	22.1	12.8	9.6	15.6	15.5	16.1
Total sales and service	**117.2**	**138.8**	**79.4**	**59.2**	**153.0**	**183.8**	**218.0**
Sales growth (%)		*18.5%*		*(25.5)%*	*10.2%*	*20.2%*	*18.6%*
COGS	93.4	103.5	69.5	44.1	114.7	137.9	163.5
Depreciation	0.4	0.5	0.4	0.2	0.5	0.5	0.5
Gross profits	23.4	34.8	9.5	14.9	37.8	45.5	54.0
Gross profit margin (%)	*20.0%*	*25.1%*	*12.0%*	*25.2%*	*24.7%*	*24.7%*	*24.8%*
General and admin expenses	8.1	9.0	2.9	3.6	9.9	11.0	13.1
Operating profits	15.3	25.9	6.6	11.3	27.8	34.4	40.9
EBIT margin (%)	13%	19%	8%	19%	18%	19%	19%
Net cash interest	0.0	0.0	0.0	0.0	3.4	7.4	11.3
Credit interest	0.0	0.0	0.0	0.0	19.6	26.1	34.1
Financing expense	5.1	8.0	2.1	1.6	11.2	16.7	21.2
Provisions for doubtful debts	1.9	1.8	0.0	0.0	6.1	8.2	10.7
Net profits before tax	**8.3**	**18.1**	**4.5**	**9.7**	**33.4**	**44.1**	**54.5**
NPBT margin	7.1%	13.1%	5.6%	16.5%	21.8%	24.0%	25.0%
Tax provision	2.3	5.6	0.0	1.7	8.4	12.6	16.8
NPAT	**6.0**	**12.5**	**4.5**	**8.1**	**25.1**	**31.5**	**37.7**
NPAT margin (%)	*5.1%*	*9.0%*	*5.6%*	*13.6%*	*16.4%*	*17.1%*	*17.3%*
NPAT growth (%)		*108.6%*		*80.3%*	*100.0%*	*25.5%*	*19.8%*
Legal reserve	0.2	1.2	0.0	0.0	1.3	1.6	1.9
Retained earnings	5.8	11.4	0.0	0.0	11.3	14.2	17.0
Dvidend paid	0.0	0.0	0.0	0.0	12.6	15.7	18.8
Dividend pay-out ratio	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*50.0%*	*50.0%*	*50.0%*

Source: Lakah Group, HSBC

Balance sheet (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Cash	2.9	2.7	1.3	2.2	30.8	43.3	69.7
Letters of guarantee	2.5	3.2	2.7	5.1	3.2	3.2	3.2
Suppliers	4.4	25.1	18.3	20.1	22.9	27.6	32.7
Letters of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease receivables	11.2	12.7	9.6	14.5	27.9	37.4	48.9
Accounts receivable	5.1	6.2	15.2	7.6	7.6	9.2	10.9
Inventory	32.2	30.9	32.2	36.4	30.6	36.8	32.7
Current Assets	**58.2**	**80.8**	**79.3**	**85.9**	**123.1**	**157.4**	**198.1**
Fixed Assets (net)	4.2	3.8	3.9	3.6	3.5	3.3	3.0
Deffered expenses (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease receivables	78.2	68.8	72.0	68.3	94.4	126.0	164.3
Total Fixed Assets	**82.4**	**72.6**	**75.9**	**71.9**	**98.0**	**129.2**	**167.2**
Due to banks	27.2	44.8	35.9	37.5	44.8	44.8	44.8
Creditors short-tem	19.0	13.1	6.3	10.5	22.9	27.6	32.7
Accounts payable	9.6	3.1	6.2	9.9	10.7	12.9	15.3
Receivable advance payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	4.2	9.3	4.2	9.3	6.1	8.2	10.7
Total Current Liabilities	**60.0**	**70.4**	**52.6**	**67.2**	**84.6**	**93.4**	**103.5**
Long-term loans	**56.5**	**16.4**	**43.4**	**16.4**	**67.3**	**98.3**	**148.1**
Issued and paid in capital	20.0	50.0	50.0	50.0	50.0	50.0	50.0
Legal reserve	0.2	1.4	0.2	1.4	2.6	4.2	6.1
Retained earnings	3.9	15.3	3.9	15.3	26.6	40.7	57.7
Net profif for the period	0.0	0.0	5.0	7.5	0.0	0.0	0.0
Total Shareholders equity	24.1	66.7	59.2	74.2	79.2	94.9	113.8

Source: Lakah Group, HSBC

Appendix I: Medical companies

Medical Centre Management Company

- **Managing CT centres in 12 hospitals around Egypt**
- **1999 top and bottom line to boom as MCMC develops new hospital**
- **Expansion into new products and total hospital management leveraging MCMC success drivers**

A unique service in synergy with group activities...

Medical Centre Management Company (MCMC) was established in 1995 to manage medical facilities. As such MCMC provides the final step in the vertical integration of Lakah healthcare services: running the equipment installed and serviced by Medequip and TMSE. This link offers numerous synergies, with contracts coming out of turnkey projects, and management staff leveraging the expertise of application specialists in TMSE and Medequip.

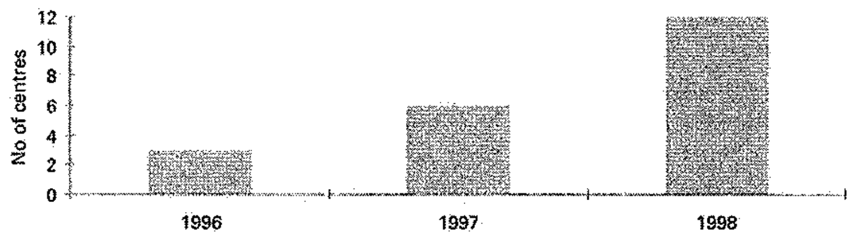
Final step in vertical integration of healthcare services

...has doubled no. of centres under management every year

The success of MCMC's strategy, and its position in the vertical integration chain is clear in the rapid growth of centres under management.

Operates government medical centres for 60-87% of revenue

Centres under management



Source: Lakah Group, HSBC

MCMC's management contracts grant the company 60–87% of the centre revenues for operating and servicing the equipment.

Management contracts to boom

Growth in management is set to improve dramatically as the government has pledged to increase the number of CT scanners in Egypt (currently 189) in the next five years. MCMC is also expanding into management of new technologies, recently signing a contract to manage 300 dialysis units across Egypt. The company has longer-term plans to expand into management of entire hospitals both in Egypt and regionally.

High growth in new contracts expected

Telemedicine to drive contract growth and profitability

Lakah Group's plans to leverage Toshiba's technology to expand into telemedicine, transferring scanner images from rural centres to a central office for review and diagnosis. This technology will centralise diagnostic

Appendix I: Medical companies

activities, reducing management costs while expanding through contracts to operate the telemedicine centres.

Hospital development project drives massive growth

A new step in vertical integration — anticipating the client's needs

A new step in vertical integration was taken by MCMC in 1998. MCMC is designing and hiring Lakah Healthcare to build a turnkey hospital in which MCMC would sell individual floors to private sector doctors while managing the medical equipment and services of the building.

Offers hospital space to a new private sector customer base

The model hinges on its ability to offer something new to the market. As Lakah's equipment financing allows the private sector access to cutting edge technology, so too does its Medicenter Specialised Hospital plan give small groups of private sector doctors access to their own state of the art hospital by allowing them to buy a part of the facility.

Medicenter Specialised Hospital development plan

Floor	Description	Expected sale date	Expected sale rev. (LE mn)	Av. cost (LE mn)	Expected rental date	Annual rent (LE)
2nd and 3rd Underground floors	Parking area	N/A	N/A	9.45	3Q2001	900,000
3rd and 3rd Underground floors	Service area	N/A	N/A	9.45	3Q2001	60,000
Ground floor	Lab and radiology	N/A	N/A	3.15	3Q2001	2,250,000
Ground floor	Pharmacy	N/A	N/A	3.16	3Q2001	900,000
Ground floor	Bank area	2001	12.52	3.16	N/A	N/A
1st Underground floor	Commercial use	2001	52.69	9.46	N/A	N/A
Floors 1-4	Special hospital floors	1999	75.9	37.82	N/A	N/A
Floors 5-7	Special hospital floors	2000	56.92	28.36	N/A	N/A
Total			198.03	104.01		4,110,000

Source: Lakah Group, HSBC

Four hospital floors already sold in 1999

The project, an 11 storey hospital in Cairo (with seven floors for sale to doctors and two commercial floors), was purchased in 1998. Scheduled for completion in 2001, four of the seven floors have already been sold to doctors from Ain Shams University in 1H1999 (sold turnkey at 25% down).

Financial Summary

Profit and loss statement (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Specialty Hospital sales	0.0	0.0	0.0	18.0	37.9	66.4	93.6
Specialty rental income	0.0	0.0	0.0	0.0	0.0	0.0	2.7
Management revenues	4.7	11.3	4.0	4.4	11.7	14.7	15.2
Total sales and service	**4.7**	**11.3**	**4.0**	**22.4**	**49.7**	**81.0**	**111.6**
Sales growth (%)		*140%*		*467%*	*340%*	*63%*	*38%*
COGS	3.5	8.1	2.7	12.0	31.6	51.2	52.9
Depreciation	0.2	0.9	0.3	1.2	2.4	1.9	1.4
Gross profits	1.0	2.2	0.9	9.3	15.6	28.0	57.2
Gross profit margin (%)	*21%*	*20%*	*23%*	*41%*	*31%*	*35%*	*51%*
General and admin expenses	0.5	0.6	0.2	0.6	0.4	1.2	1.1
Operating profits	0.5	1.7	0.7	8.7	15.2	26.8	56.1
EBIT margin (%)	10%	15%	18%	39%	31%	33%	50%
Net cash interest	0.0	0.0	0.0	0.0	2.9	6.6	10.3
Credit interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing expense	0.1	0.1	0.0	0.1	0.6	0.5	0.5
Provisions for doubtful debts	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Net profits before tax	**0.3**	**1.6**	**0.7**	**8.5**	**17.6**	**32.8**	**66.0**
NPBT margin	*7%*	*14%*	*18%*	*38%*	*35%*	*41%*	*59%*
Tax provision	0.2	0.0	0.0	0.0	0.0	0.0	16.1
NPAT	0.1	1.6	0.7	8.5	17.6	32.8	49.9
NPAT margin (%)	*1%*	*14%*	*18%*	*38%*	*35%*	*41%*	*45%*
NPAT growth (%)		*2419%*		*1124%*	*895%*	*86%*	*52%*
Legal reserve	0.0	0.0	0.0	0.0	0.9	1.6	2.5
Retained earnings	0.1	1.7	0.0	0.0	7.9	14.8	22.4
Dvidend paid	0.0	0.0	0.0	0.0	8.8	16.4	24.9
Dividend pay-out ratio	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*50.0%*	*50.0%*	*50.0%*

Source: Lakah Group, HSBC

Balance sheet (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Cash	0.1	5.8	0.1	3.1	52.1	78.8	128.0
Letters of guarantee	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Suppliers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Letters of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	1.0	3.3	2.0	9.1	2.6	3.2	3.4
Inventory	0.2	38.4	0.4	41.2	7.0	16.2	11.2
Other debit balances	1.1	1.8	1.8	1.8	4.0	9.7	8.9
Current Assets	**2.4**	**49.4**	**4.3**	**55.3**	**66.6**	**108.0**	**151.4**
Fixed Assets (net)	8.0	62.0	7.7	61.8	54.4	29.5	28.1
Deffered expenses (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under constructior	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Fixed Assets	**8.0**	**62.0**	**7.7**	**61.9**	**54.4**	**29.5**	**28.1**
Due to banks	7.1	4.7	8.7	1.9	4.7	4.7	4.7
Accounts payable	0.0	0.0	0.0	0.0	1.5	2.4	3.3
Notes payable	2.7	1.9	2.3	1.8	0.0	0.0	0.0
Provisions	0.3	0.1	0.3	0.2	0.0	0.0	16.1
Other credit accounts	0.1	0.1	0.1	0.1	0.2	0.4	0.6
Total Current Liabilities	**10.2**	**6.7**	**11.4**	**4.0**	**6.4**	**7.6**	**24.7**
Long-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issued and paid in capital	0.3	103.0	0.3	103.0	103.0	103.0	103.0
Legal reserve	0.0	0.0	0.0	0.1	0.9	2.5	5.0
Retained earnings	0.1	1.7	0.0	1.6	9.6	24.4	46.8
Net profit for the period	0.0	0.0	0.4	8.5	0.0	0.0	0.0
Total Shareholders equity	**0.3**	**104.7**	**0.6**	**113.2**	**113.5**	**129.9**	**154.8**

Source: Lakah Group, HSBC

Appendix I: Medical companies

Quest Consultants

- **Finishing and electro-mechanical contracting is 90% of revenues**
- **10% from manufacture and distribution of specialist building materials**
- **80% of contracts and revenues generated within the Lakah Group**

A specialised contractor to finish turnkey projects...

A contractor specialised in finishing work for hospitals

Quest provides the final step in turnkey projects, specialising in finishing and electro-mechanical work (wiring, installing equipment, surfacing, etc). Quest is specialised in hospital finishing (lead lining x-ray rooms, etc). Roughly 90% of Quest's revenues come from contracting.

...with a tailor-made portfolio of specialised materials

Distributor of medical building materials

The remaining 10% of revenues comes from manufacturing of Acryline, and distributing paints, floorings and wall coverings. All these materials are focused on hospital and medical centre finishing, all are anti-bacterial, and many are chemical or shock resistant.

Building material licences

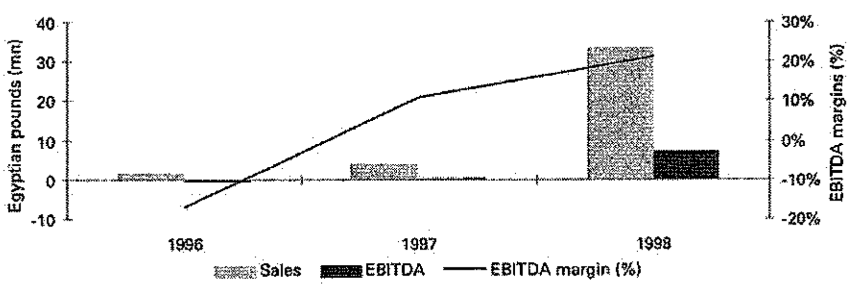
Material	License	Liscensor	Application	Advantage
Acrilyne	Manufacture	Polifen, Germany	Natural stone product counters, floors, walls	Anti-bacterial Shock and chemical resistant
Paint	Exclusive agency	Artilin, France	Paint	Anti-bacterial Insect repellant
Flooring	Exclusive agency	Mipolan, Germany	Flooring	Anti-bacterial Anti-static
Wall coverings	Exclusive agency	Wavin, Netherlands	Wall coverings	Anti-bacterial

Source: Lakah Group, HSBC

Astronomical historic sales growth from in-house contracts

Its expertise in electro-mechanical finishing and its portfolio of specialised building materials have made Quest an in-house sub-contractor. Every project on its backlog includes another Lakah company, and 80% of Quest's revenues come from inter-group activity. Quest has proved enormously profitable, with revenues growing astronomically and its EBITDA margins sky-rocketing to reach the low 20% range.

Revenues and EBITDA growth



Source: Lakah Group, HSBC

Appendix I: Medical companies

Financial Summary

Profit and loss statement (LE mn)							
Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Contracting revenue	3.7	31.7	6.6	22.6	41.2	53.5	69.6
Building materials sales	0.4	2.0	0.7	13.1	2.5	3.1	3.6
Total sales and service	**4.1**	**33.7**	**7.3**	**11.9**	**43.7**	**56.6**	**73.2**
Sales growth (%)		*717.2%*		*62.6%*	*29.7%*	*29.7%*	*29.2%*
COGS	3.4	26.1	6.3	10.0	34.4	44.7	57.8
Depreciation	0.0	0.1	0.1	0.2	0.4	1.0	1.2
Gross profits	0.7	7.6	0.9	1.7	8.8	11.0	14.1
Gross profit margin (%)	*17.0%*	*22.3%*	*12.3%*	*14.1%*	*20.2%*	*19.3%*	*19.3%*
General and admin expenses	0.2	0.4	0.2	0.2	0.9	1.1	1.5
Operating profits	0.5	7.1	0.7	1.5	7.9	9.8	12.6
EBIT margin (%)	11%	21%	10%	12%	18%	17%	17%
Net cash interest	0.0	0.0	0.0	0.0	(0.1)	-0.2	-0.4
Credit interest	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Financing expense	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Provisions doubtful debts	0.0	0.2	0.1	0.1	0.3	0.3	0.4
Foreign exchange differences	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profits before tax	**0.4**	**6.9**	**0.6**	**1.3**	**7.5**	**9.2**	**11.8**
NPBT margin	10.2%	20.4%	8.4%	10.9%	17.2%	16.3%	16.2%
Tax provision	0.2	0.9	0.0	0.0	0.0	0.0	0.0
NPAT	**0.3**	**6.0**	**0.6**	**1.3**	**7.5**	**9.2**	**11.8**
NPAT margin (%)	*6.3%*	*17.8%*	*8.4%*	*10.9%*	*17.2%*	*16.3%*	*16.2%*
NPAT growth (%)		*2197.9%*		*111.2%*	*25.3%*	*23.2%*	*28.0%*
Legal reserve	0.0	0.3	0.0	0.0	0.8	0.9	1.2
Retained earnings	0.0	5.7	0.6	7.0	3.0	3.7	4.7
Dvidend paid	0.0	0.0	0.0	0.0	3.8	4.6	5.9
Dividend pay-out ratio	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*50.0%*	*50.0%*	*50.0%*

Source: Lakah Group, HSBC

Balance sheet (LE mn)							
Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Cash	0.1	1.1	38.8	2.9	-3.7	-0.9	-6.6
Letters of guarantee	2.2	0.0	2.2	0.6	0.0	0.0	0.0
Suppliers	0.5	10.1	3.4	8.7	8.7	11.3	14.6
Letters of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Work in progress/other	1.7	10.4	3.5	14.3	13.1	15.9	19.1
Accounts receivable	0.9	9.7	3.2	6.9	8.7	10.2	13.2
Inventory	0.6	8.9	2.9	8.1	10.9	13.0	16.4
Current Assets	**5.9**	**40.2**	**54.1**	**41.5**	**37.9**	**49.6**	**55.7**
Fixed Assets (net)	0.4	0.6	0.4	14.1	15.7	22.2	23.0
Deffered expenses (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects under construction	0.0	24.8	0.0	10.3	12.9	0.0	0.0
Total Fixed Assets	**0.4**	**25.3**	**0.4**	**24.4**	**28.5**	**22.2**	**23.0**
Due to banks	0.9	6.5	2.2	4.0	4.0	4.0	4.0
Creditors short-tem	2.5	0.2	0.9	1.4	0.2	0.3	0.4
Accounts payable	2.3	1.9	0.6	2.0	2.2	2.8	3.7
Provisions	0.2	1.1	0.3	1.2	0.3	0.3	0.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	**5.8**	**9.6**	**3.9**	**8.6**	**6.7**	**7.4**	**8.4**
Long-term loans	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Issued and paid in capital	0.5	50.0	50.0	50.0	50.0	50.0	50.0
Legal reserve	0.0	0.3	0.0	0.3	1.1	2.0	3.2
Retained earnings	0.0	5.7	0.6	5.7	8.7	12.4	17.1
Net profit for the period	0.0	0.0	0.0	1.3	0.0	0.0	0.0
Total Shareholders equity	0.5	56.0	50.6	57.3	59.7	64.4	70.3

Source: Lakah Group, HSBC

Appendix II: Industrial holdings

Arab Steel Factory

- **Tapping an under-serviced market (26% of consumption is imported)**
- **A unique market niche as the only billet producer for the open market**
- **Some risk from limited customer base and falling global prices**

Entering an under-serviced domestic demand...

Arab Steel 6% of domestic production

Arab Steel Company began production in 1998. Its main activity is steel billet production, with a design capacity of 400,000 tons pa and an actual production of 240,000 tons in 1998 (6% of domestic production).

1.3m tons of billets are imported

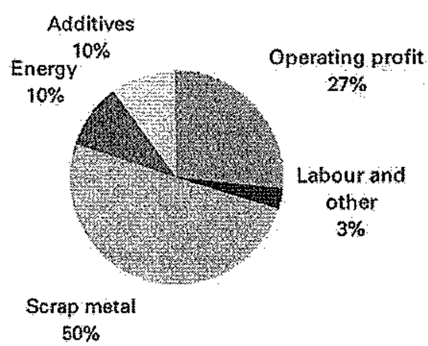
Billets, the intermediary used to produce re-bars, angles, and beams, remain in short supply in Egypt. Despite the recent growth of domestic billet production, Egypt imported 1.3m tons (26% of demand) in 1998.

...with a cheaper, more competitive product

Local product is cheaper, easier and faster to purchase

Egyptian billets are more attractive, with imports arriving at 10–15% premium to local production (sales taxes, duties port fees and discharging) delivered without the need for L/Cs.

Arab Steel cost structure



Imported raw materials account for approximately 20-30% of total materials

Source: Lakah Group, HSBC

A unique market niche

Over 50% of production goes to ANSDK

Arab Steel has a unique niche as the only producer of grade 37 and 52 (crucial for re-bars) billets in the open market in the Middle East or Africa.

Expected sales breakdown in 1999

Customers	Sales volume
ANSDK (for own use and trading)	180,000 tons
Others (e.g. Delta, El Saed)	140,000 tons
Total production	**320,000 tons**

Source: Lakah Group, HSBC

Appendix II: Industrial holdings

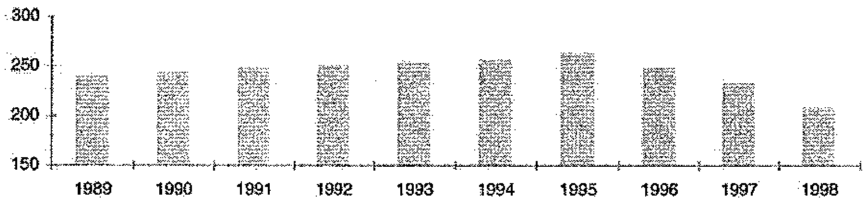
The other Egyptian billet producers, like Ezz Steel and Alexandria Iron and Steel (ANSDK), produce for their own re-bar production. The remainder of Arab Steel's client base are smaller re-bar and steel product manufacturers.

Risk from dependence on ANSDK and falling prices

Arab Steel is not without its risks, however. First of all, the strong reliance on ANSDK for sales leaves the company vulnerable should problems with its contract arises. Secondly, global price drops in billets may continue forcing down Arab Steel's prices.

Not without its risks— both locally and globally

Steel billet prices (US$ per ton)



Source: Lakah Group, HSBC

With Arab Steel accounting for circa 30% of Lakah Group's sales and net profits in 1998, any radical change in its top or bottom line could have a sizeable impact on the group's performance.

Financial Summary

Profit and loss statement (LE mn)

Year-ending 30 December	1998	4M 98	4M 99	1999e	2000f	2001f
Total sales	186.8	51.4	65.9	233.3	266.6	299.9
Sales growth (%)			*28.3%*	*24.9%*	*14.3%*	*12.5%*
COGS	108.4	31.9	41.5	144.6	173.3	200.9
Depreciation and amortisation	18.2	4.8	7.3	21.1	22.0	22.7
Gross profits	**60.2**	**14.6**	**17.1**	**67.6**	**71.3**	**76.3**
Gross profit margin (%)	*32.2%*	*28.4%*	*25.9%*	*29.0%*	*26.8%*	*25.4%*
General and admin expenses	2.4	1.0	0.8	2.8	3.2	3.6
Operating profits	57.8	13.6	16.3	64.8	68.1	72.7
EBIT margin (%)	31%	27%	25%	28%	26%	24%
Net cash interest	0.0	0.0	0.0	-1.3	-2.5	-2.3
Credit interest	0.0	0.0	0.0	0.0	0.0	0.0
Financing expense	28.5	8.3	9.9	29.9	29.9	29.9
Provisions for doubtful debts	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.0	0.1	-0.1	-0.1	-0.1
Net profits before tax	29.7	5.3	6.5	33.5	35.6	40.4
NPBT margin	15.9%	10.3%	9.9%	14.3%	13.3%	13.5%
Tax provision	0.6	0.0	0.0	0.0	0.0	0.0
NPAT	29.1	5.3	6.5	33.5	35.6	40.4
NPAT margin (%)	*15.6%*	*10.3%*	*9.9%*	*14.3%*	*13.3%*	*13.5%*
NPAT growth (%)			*22.5%*	*15.0%*	*6.4%*	*13.5%*
Legal reserve	1.5	0.0	0.0	1.7	1.8	2.0
Retained earnings	27.6	0.0	0.0	28.4	24.9	18.2
Dvidend paid	0.0	0.0	0.0	3.3	8.9	20.2
Dividend pay-out ratio	*0.0%*	*0.0%*	*0.0%*	*10.0%*	*25.0%*	*50.0%*

Source: Lakah Group, HSBC

Balance sheet (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Cash	1.9	2.3	1.8	11.3	-27.8	-22.5	-23.4
Debtors- Short term balances	57.7	60.6	6.4	47.7	81.6	93.3	105.0
Suppliers	0.0	7.0	0.0	2.8	11.7	13.3	15.0
Letters of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.0	39.0	65.7	41.9	58.3	66.7	75.0
Inventory	73.7	77.3	75.9	88.5	95.6	109.3	123.0
Current Assets	133.3	186.1	149.8	192.2	219.4	260.0	294.5
Fixed Assets (net)	219.0	209.2	214.9	221.8	206.5	197.4	187.9
Deffered expenses (net)	26.1	22.7	22.8	21.6	19.0	15.2	11.5
Long term investments	0.0	124.0	124.0	124.0	124.0	124.0	124.0
Projects under construction	0.0	18.2	1.1	0.0	18.2	18.2	18.2
Total Fixed Assets	245.1	374.1	362.9	367.3	367.7	354.9	341.7
Due to banks	95.2	15.4	91.8	12.5	15.4	15.4	15.4
Creditors short-tem	1.3	6.0	4.3	2.0	7.5	8.5	9.6
Accounts payable	0.0	0.0	0.0	4.6	0.0	0.0	0.0
Other creditors	0.0	1.7	0.0	0.8	1.7	1.7	1.7
Provisions	0.0	0.6	0.0	0.6	0.6	0.6	0.6
Total Current Liabilities	96.5	23.7	96.1	20.4	25.1	26.2	27.2
Long-term liabilities	158.6	257.5	161.3	253.5	252.8	252.8	252.8
Issued and paid in capital	20.0	250.0	250.0	250.0	250.0	250.0	250.0
Legal reserve	0.0	1.5	0.0	1.5	3.1	4.9	6.9
Retained earnings + other	103.2	27.6	6.3	34.1	56.1	81.0	99.2
Total Shareholders equity	123.2	279.1	255.3	285.6	309.2	335.9	356.1

Source: Lakah Group, HSBC

Appendix II: Industrial holdings

Amitrade for Trading and Contracting

- **A trading house for the inputs and outputs of Arab Steel (90% of sales)**
- **MENA agent for Toshiba elevators and escalators (10% of sales)**
- **Looking to expand materials traded and regional coverage**

A trading house for Arab Steel...

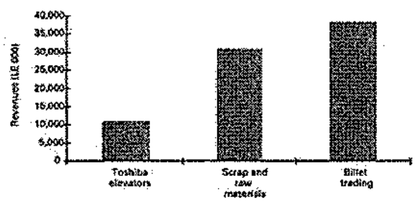
Procurer and distributor for Arab Steel

Amitrade was incorporated in December 1995 to provide a range of trading services for Arab Steel. Amitrade performs all the procurement services for Arab Steel purchasing all the factory inputs (scrap iron, sponge iron, refractory bricks, graphite, etc), as well as distributing part of Arab Steel's billet production, maintaining contacts and executing contracts with major re-enforced steel bar producers.

Trading for Arab Steel is a large part of Amitrade's top-line

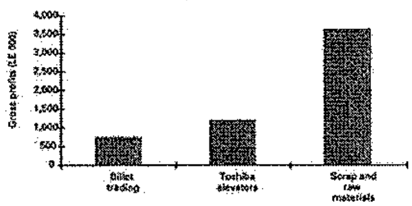
Trading of billets and scrap accounts for 70% of Amitrade's revenues, and in September 1998 the company secured a contract with ANSDK, the largest producer of RSBs in Egypt, for Arab Steel to supply 180,000 tons of steel billets annually (45% of designed capacity). A further 20% of revenue comes from trading in consumable materials and additives for billet production (refractory bricks, graphite, etc).

4M 1999 sales breakdown (LE 000)



Source: Lakah Group, HSBC

4M 1999 profits breakdown (LE 000)



Source: Lakah Group, HSBC

...allows focus on core activities

Added focus, economies of scale, and revenues

The rationale for focusing Arab Steel's trading activities through Amitrade is that greater efficiency in core activities can be realised by de-constructing the value chain, allowing each company to focus on a single activity. Amitrade is also potentially able to generate added revenues and economies of scale by combining the distribution and procurement needs of Arab Steel with those of other companies. In the four months of 1999 figures, none of the sales went to Arab Steel (compared with 100% of billet sales and 20% of scrap and raw materials sales in 1998).

Toshiba elevators and escalators

10% of sales

Amitrade also has the exclusive licence for sales and servicing of Toshiba elevators and escalators in the MENA region (expanding the Lakah-Toshiba relationship begun with TMSE). While the Toshiba agency currently only accounts for 10% of revenues, it remains focused operationally in Egypt only.

Appendix II: Industrial holdings

Expanding regional coverage and product portfolio

Expanding product portfolio and regional coverage

Amitrade's future growth is based on leveraging its current activities across a broader range of products and a wider geographical region. Currently, the company has plans to expand its activities for Toshiba into the broader region.

Along those lines Amitrade would like to expand its trading services to other areas such as specialised steel products, aluminium, glass, cement, and other heavy industry operations. The company would also like to expand its trading activities beyond Egypt to the MENA region.

Financial Summary

Profit and loss statement (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Scrap and raw materials sales	35.1	58.1	43.8	30.8	33.8	45.4	57.1
Billet sales	10.0	22.0	16.2	38.4	67.7	71.4	71.4
Toshiba elevators agency	5.0	0.0	0.0	10.9	11.3	13.0	14.3
Total sales	50.1	80.6	60.0	80.1	112.8	129.7	142.7
Sales growth (%)		*61%*		*34%*	*40%*	*15%*	*10%*
COGS	45.8	67.8	54.0	74.5	103.6	117.9	128.4
Depreciation and amortisation	0.0	0.1	0.0	0.0	0.6	0.6	0.6
Gross profits	4.2	12.7	5.9	5.6	8.7	11.2	13.6
Gross profit margin (%)	*8%*	*16%*	*10%*	*7%*	*8%*	*9%*	*10%*
General and admin expenses	0.6	0.9	0.8	0.6	1.1	1.3	1.4
Operating profits	3.6	11.8	5.1	5.0	7.6	9.9	12.2
EBIT margin (%)	7%	15%	9%	6%	7%	8%	9%
Net cash interest	0.0	0.0	0.0	0.0	(0.6)	(1.5)	(2.1)
Credit interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing expense	1.9	4.4	2.6	0.7	0.8	0.8	0.8
Provisions for doubtful debts	0.4	0.7	0.5	0.4	0.8	0.9	1.0
Miscellaneous (income)/expense	(0.2)	(0.2)	(0.2)	0.0	0.0	0.0	0.0
Net profits before tax	1.4	7.0	2.3	3.9	5.4	6.7	8.4
NPBT margin	*3%*	*9%*	*4%*	*5%*	*5%*	*5%*	*6%*
Tax provision	1.0	0.9	1.0	0.9	0.0	0.0	0.0
NPAT	0.5	6.0	1.4	2.9	5.4	6.7	8.4
NPAT margin (%)	*1%*	*7%*	*2%*	*4%*	*5%*	*5%*	*6%*
NPAT growth (%)		*1235%*		*116%*	*-10%*	*23%*	*25%*
Legal reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.3	0.0	6.5	2.7	3.4	4.2
Dvidend paid	0.0	0.0	0.0	0.0	2.7	3.4	4.2
Dividend pay-out ratio	*0%*	*0%*	*0%*	*0%*	*50%*	*50%*	*50%*

Source: Lakah Group, HSBC

Balance sheet (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Cash	0.4	0.3	0.5	0.4	(12.0)	(19.0)	(22.6)
Letters of guarantee	0.0	1.2	0.0	1.3	1.2	1.2	1.2
Suppliers	0.5	18.0	0.8	10.2	12.4	14.3	15.7
Pre-paid taxes	0.0	0.6	0.2	0.7	0.0	0.0	0.0
Debtors	5.7	2.0	7.0	3.2	2.0	2.0	2.0
Inventory	4.3	3.0	12.2	12.1	10.2	11.7	12.8
Accounts receivable	23.2	45.8	27.7	39.4	50.8	58.4	64.2
Current Assets	34.2	71.0	48.5	67.3	64.6	68.6	73.4
Fixed Assets (net)	0.2	10.0	0.2	10.2	11.0	10.7	10.4
Deffered expenses (net)	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Projects under construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Fixed Assets	0.3	10.2	0.4	10.3	11.1	10.8	10.6
Due to banks	20.0	21.6	23.7	14.4	14.0	14.0	14.0
Accounts payable	1.9	1.0	1.1	0.4	1.1	1.3	1.4
Creditors	0.8	0.5	9.9	0.4	0.6	0.6	0.7
Provisions	1.4	1.6	1.9	2.1	0.8	0.9	1.0
Other credit accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	24.1	24.7	36.5	17.3	16.5	16.8	17.1
Long-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issued and paid in capital	10.0	50.0	10.0	50.0	50.0	50.0	50.0
Legal reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.3	0.0	6.5	9.2	12.6	16.8
Net profit for the period	0.6	6.2	2.3	3.9	0.0	0.0	0.0
Total Shareholders equity	10.6	56.5	12.3	60.4	59.2	62.6	66.8

Source: Lakah Group, HSBC

Appendix II: Industrial holdings

Industrial Consumer Company

- **2nd largest, and only private sector, light bulb producer in Egypt**
- **Lakah is restructuring ICC, introducing new products and searching for a multi-national partner and licence**
- **Lack of competition gives 20% EPS CAGR forecast (1999–2002)**

The only private sector bulb manufacturer in Egypt

ICC acquired the Egyptian Electrical Lamps factory in 1997, and after a year of restructuring, the company re-commenced operations in 1999 manufacturing GLS bulbs, and plans to begin production of fluorescent lamps later this year.

ICC only began producing lights in 1999

ICC has one of the two light bulb producers in Egypt, the other being the public sector Neasa bulb factory, which produces poor quality product, and has seen its market share slip from 74% to 47% in the last five years.

Only competition is poor quality, public sector company

Massive restructuring, new products, and a partner?

The Egyptian Electric Lamps factory was in an advanced state of deterioration when ICC acquired it. The production process was faulty and unable to operate at design capacity, and the factory was decrepit.

ICC has spent US$4m on restructuring

Fluorescent production to begin in 2Q1999

ICC has spent over US$4m in restructuring the company, upgrading the equipment and adding a fluorescent bulb production line. The staff has been increased to 397 and the company is looking to enter a partnership with a major multi-national company to provide technical assistance, sign a licensing agreement, and form a joint venture to market and distribute ICC's product in Egypt and overseas.

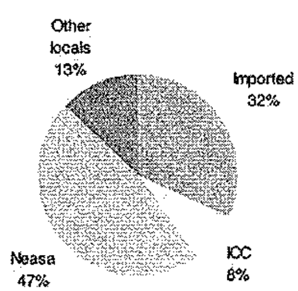
ICC is now searching for a major multi-national partner

No competition in the market

The market in Egypt, with Neasa holding less than 50% market share in both fluorescent and GLS bulb manufacture is clearly under-serviced. Imports, despite 45% tariffs, account for huge portions of the market.

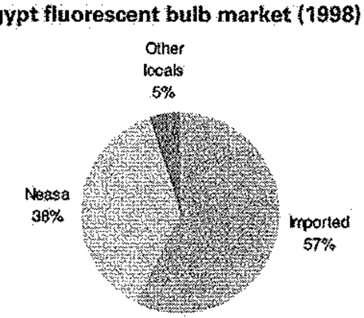
Imports have huge market share despite 45% tariffs

Egypt GLS bulb market (1998)



Source: Lakah Group, HSBC

Egypt fluorescent bulb market (1998)



Source: Lakah Group, HSBC

Appendix II: Industrial holdings

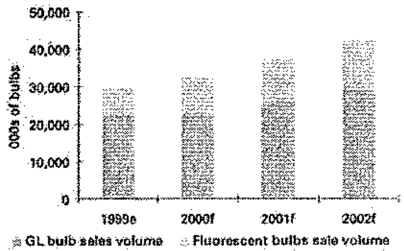
Bulbs remain a seller's market in Egypt

The fragmented nature of the market means bulb manufacture is set to remain a seller's market in the foreseeable future (at maximum capacity ICC will only account for 25% of the 1998 bulb market). As such ICC is targeting a 14% market share in GLS bulbs and 27% market share in fluorescent bulbs by the end of 1999. The company is also planning to expand its product range to offer GLS candle, soft tone, and spotlight bulbs.

20% sales CAGR 1999–02

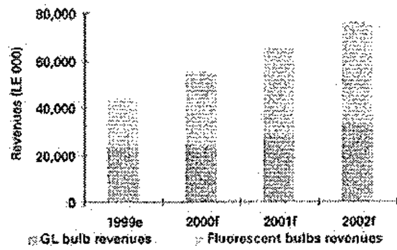
Consequently, ICC is targeting rapid top-line growth over the coming four years with a sales CAGR of 20% between 1999 and 2002.

Sales volume



Source: Lakah Group, HSBC

Revenue breakdown



Source: Lakah Group, HSBC

Financial Summary

Profit and loss statement (LE mn)

Year-ending 30 December	4M 99	1999e	2000f	2001f
GLS bulb sales	11.4	16.2	19.3	23.8
Fluorescent bulb sales	0.0	15.2	25.2	31.1
Workshop revenues	3.4	10.0	12.0	14.4
Total sales	**14.8**	**41.4**	**56.5**	**69.4**
Sales growth (%)			*37%*	*23%*
COGS	10.8	28.1	37.0	44.1
Depreciation and amoritisation	1.5	5.6	7.3	7.9
Gross profits	2.5	7.7	12.1	17.4
Gross profit margin (%)	*17%*	*19%*	*21%*	*25%*
General and admin expenses	1.1	2.9	3.4	4.2
Operating profits	1.4	4.9	8.8	13.2
EBIT margin (%)	9%	12%	15%	19%
Net cash interest	0.0	1.7	(0.0)	(0.2)
Credit interest	0.0	0.0	0.0	0.0
Financing expense	0.5	3.5	2.9	2.3
Provisions for doubtful debts	0.0	0.2	0.3	0.4
Miscellaneous (income)/expense	0.3	0.0	0.0	0.0
Net profits before tax	0.6	2.9	5.5	10.3
NPBT margin	*4%*	*7%*	*10%*	*15%*
Tax provision	0.0	0.0	0.0	0.0
NPAT	0.5	2.9	5.5	10.3
NPAT margin (%)	*4%*	*7%*	*10%*	*15%*
NPAT growth (%)			*93%*	*86%*
Legal reserve	0.0	0.0	0.0	0.0
Retained earnings	0.0	1.4	2.8	5.2
Dvidend paid	0.5	1.4	2.8	5.2
Dividend pay-out ratio	*100%*	*50%*	*50%*	*50%*

Source: Lakah Group, HSBC

Balance sheet (LE mn)

Year-ending 30 December	1997	1998	4M 98	4M 99	1999e	2000f	2001f
Cash	0.5	63.2	0.4	2.6	5.0	(5.4)	(2.6)
Letters of guarantee	0.0	0.2	0.2	0.0	0.0	0.0	0.0
Suppliers	0.0	3.4	1.2	5.9	3.3	4.5	5.5
Inventory	0.0	5.5	3.2	17.9	2.1	2.8	3.5
Accounts receivable	0.0	0.6	0.0	6.6	12.4	17.0	20.8
Current Assets	**0.5**	**72.9**	**4.9**	**33.0**	**22.8**	**18.9**	**27.3**
Fixed Assets (net)	40.0	39.9	40.0	52.0	59.6	62.7	55.6
Deffered expenses (net)	0.1	2.0	1.0	1.9	1.7	1.3	1.0
Projects under construction	0.0	13.3	4.4	0.0	0.0	0.0	0.0
Total Fixed Assets	**40.1**	**55.3**	**45.4**	**53.9**	**61.3**	**64.0**	**56.7**
Due to banks	0.0	69.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	1.1	2.1	2.8	3.5
Creditors	0.3	0.3	0.3	0.3	0.4	0.6	0.7
Notes payable	40.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.2	0.3	0.4
Total Current Liabilities	**40.3**	**69.3**	**0.3**	**1.4**	**2.7**	**3.7**	**4.6**
Long-term debt	0.0	8.9	0.0	0.0	0.0	0.0	0.0
Due to Holding company	0.0	0.0	0.0	35.0	30.0	25.0	20.0
Long-term loans	**0.0**	**8.9**	**0.0**	**35.0**	**30.0**	**25.0**	**20.0**
Issued and paid in capital	0.3	50.0	50.0	50.0	50.0	50.0	50.0
Legal reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0	0.0	1.4	4.2	9.3
Net profif for the period	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Total Shareholders equity	0.3	50.0	50.0	50.5	51.4	54.2	59.3

Source: Lakah Group, HSBC

Appendix II: Industrial holdings

Industrial Investment Company

- **Stakes in businesses with unserviced demand, little competition, and reliable recurrent income streams**
- **Real estate investments solidify asset base and return regular rents**

Reinforcing Lakah Group's industrial investment strategy

IIC is a holding company for a diverse set of equity and real estate investments. These are all expected to deliver long-term capital appreciation while focusing on the Lakah Group's industrial holdings strategy of generating solid streams of recurrent income in industries with large unserviced domestic demand while increasing the group's asset base to allow more aggressive leveraging in the healthcare sector.

Investments focus on:

1) Tapping unmet demand

2) Delivering steady recurrent income

3) Broadening asset base

IIC has three equity investments:

- 100% stake in a detergent factory in Egypt, currently rented on a five-year contract to Newleet Egypt for LE10m (increasing 15% pa)
- 47% in Suez Company for Metallurgic, a new company producing steel re-bars, angles and beams that began production in September 1998
- 90% in Universal for Heavy Transport, a heavy duty trucking company with a fleet of 51 Mercedes trucks charging around LE1,000 per run

Businesses servicing unsatisfied domestic demand...

All three businesses service unmet local demand in an uncompetitive market. The detergent factory is the largest privately owned detergent plant in Egypt and already holds a 21% market share. Suez Company for Metallurgic is also set to capitalise on the underdeveloped steel angles market. Universal for Heavy Transport aims to carve a market niche by offering a modern, organised trucking fleet with GPS systems, central booking , and insurance to replace the current system of free agency.

Largest in private sector detergent company

Only modern trucking company in Egypt

...and delivering steady recurrent income stream

The companies also promise steady recurrent income streams. The detergent company is rented out at LE10m annually (+15% pa) and will cover its LE81m cost in six years. While the Metallurgical and Trucking companies are yet to begin operations, they also promise steady income.

LE10m annual rent on detergent plant

Real estate holdings bolsters assets and give steady rents

IIC also has three real estate holdings:

- A three storey building on Oroba Street leased to the Arab Factory for Food, which generates LE2.5m in rent (+10% pa) and is valued at LE33m
- A garage on Mourad Street which generates LE500,000 in rent and is valued at LE7.5m
- No.272 Hassan Sadek Street, recently sold for a LE21m capital gain

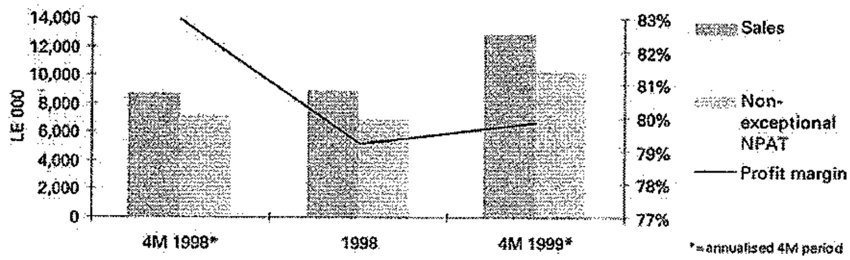
Appendix II: Industrial holdings

The real estate investments provide a growing stream of recurrent rental income, promise strong future capital gains, and broaden the Lakah Group's asset base for leveraging its healthcare businesses.

Huge profits from sound investments

IIC's prudent investment strategy has given the group the highest margins in the Lakah Group (with non-exceptional net income margins coming in at close to 90% in 1998).

Historical profit margins



Source: Lakah Group, HSBC

Financial summary

Due to a lack of financial information for IIC's trucking and steel businesses, we have not included IIC projections in our model. The company has been valued at a discount to net asset value of its portfolio of real estate and equity investments.

IIC Investment portfolio valuation

Investments in securities	Participation	Share value	Lakah no. of shares	Total value	Amounts paid
Int. Touristic and Real Estate	10.0%	100.0	20,000	2,000,000	1,000,000
First Power	50.0%	100.0	50,000	5,000,000	1,250,000
Irena for Art Production	50.0%	100.0	2,500	250,000	62,500
Delta Sound Company	40.0%	100.0	1,000	100,000	25,000
House of Art	60.0%	100.0	3,000	300,000	75,000
Suez Iron Works	49.0%	219.0	249,875	54,722,625	54,722,625
International High Load Trucking (1)	90.0%	100.0	625,605	77,500,000	77,500,000
International High Load Trucking (2)	90.0%	1778.0	224,950	40,000,000	10,000,000
Total securities investments				**179,872,625**	**144,635,125**

Real estate investments	Value
Lang Detergent Factory	81,000,000
Building No.47 Morad St. (3)	32,000,000
Building No.447 Oroba St. (3)	7,000,000
Total real estate investments	**120,000,000**

NAV value of IIC holdings	264,635,125
Add: rents due	5,250,000
Less: 10% discount to NAV	26,463,513
Value of IIC's investment portfolio	**243,421,613**

(1) = The investment amount represents total investments by Lakah supported by a promisory agreement
(2) = The investment amount represents total investments by Lakah supported by a promisory agreement
(3) = The real estate holdings are valued at a conservative market capitalisation estimate

Source: Lakah Group, HSBC

Summary data

Consolidated profit and loss statement (LEm) - Post offering

Year ending December	1998	4m 1998	4m 1999	1999e	2000f	2001f
Sales	**674.36**	**284.46**	**488.36**	**1,001.14**	**1,243.36**	**1,506.28**
Sales growth (%)			*71.7%*	*48.5%*	*24.2%*	*21.1%*
Cost of goods sold	450.77	225.70	347.08	716.06	892.63	1064.82
COGS/Sales (%)	*66.8%*	*79.3%*	*71.1%*	*71.5%*	*71.8%*	*70.7%*
Depreciation and amoritisation	1.50	5.91	7.39	23.06	23.28	23.86
Gross profits	**222.10**	**52.85**	**133.90**	**262.02**	**327.45**	**417.60**
Gross profit margin (%)	*32.9%*	*18.6%*	*27.4%*	*26.2%*	*26.3%*	*27.7%*
G&A Expenses	40.24	13.63	31.38	62.75	71.48	86.09
Operating profits	181.86	39.23	102.52	199.27	255.97	331.51
EBIT margin (%)	*27.0%*	*13.8%*	*21.0%*	*19.9%*	*20.6%*	*22.0%*
Net cash interest	0.00	0.00	0.00	42.38	86.98	103.41
Net credit interest	0.00	0.00	0.00	46.43	59.53	74.40
Miscellaneous revenues	0.00	0.00	0.00	0.00	0.00	0.00
Financing expense	57.93	16.09	18.45	110.36	116.55	123.82
Provisions	5.00	1.98	4.47	13.49	11.76	14.62
Miscellaneous expenses	0.35	0.05	2.05	2.33	0.33	0.33
Net interest income/(expense)	(63.28)	(18.12)	(24.97)	(37.36)	17.87	39.03
Net profits before tax	**118.58**	**21.11**	**77.55**	**161.91**	**273.84**	**370.55**
NPBT margin (%)	*17.6%*	*7.4%*	*15.9%*	*16.2%*	*22.0%*	*24.6%*
Tax provision	20.98	0.00	13.64	30.02	48.81	80.09
Minority interest	4.37	0.53	2.41	5.96	10.09	13.65
Net profits after tax	**93.23**	**20.58**	**61.50**	**125.92**	**214.94**	**276.80**
NPAT growth (%)			*198.9%*	*35.1%*	*70.7%*	*28.8%*
NPAT margin (%)	*13.8%*	*7.2%*	*12.6%*	*12.6%*	*17.3%*	*18.4%*
Legal reserves	0.00	0.00	0.00	7.43	9.88	12.37
Retained earnings	0.00	0.00	0.00	55.53	97.59	126.03
Dividend paid	0.00	0.00	0.00	62.96	107.47	138.40
Pay-out ratio (%)	*0.0%*	*0.0%*	*0.0%*	*50.0%*	*50.0%*	*50.0%*

Source: Lakah Group, HSBC

Summary data

Consolidated balance sheet (LEm) - Post offering						
Year ending December	1998	4m 1998	4m 1999	1999e	2000f	2001f
Current assets						
Cash in bank and hands	18.17	94.92	231.35	847.70	869.79	1,034.08
Debtors and short term balances	478.69	221.02	425.17	357.74	429.56	497.89
Inventory	194.70	163.39	241.82	229.80	283.61	316.81
Works in progress	109.35	35.45	131.17	106.20	146.20	194.99
Leases receivable	27.70	18.19	24.85	66.42	85.61	107.32
Total current assets	**828.61**	**532.97**	**1,054.36**	**1,607.87**	**1,814.77**	**2,151.10**
Long term assets						
Net fixed assets	394.60	319.10	431.87	428.75	415.18	409.85
Net deffered expenses	38.36	30.23	36.01	23.38	19.28	15.19
Projects under construction	159.64	20.56	122.19	31.07	18.22	18.22
Long-term investments	267.48	226.93	267.48	267.48	267.48	267.48
Leases and long-term receivables	167.64	132.78	168.96	223.78	286.48	357.66
Goodwill	248.02	0.00	244.73	243.67	230.87	218.07
Total long term assets	**1,275.74**	**729.61**	**1,271.23**	**1,218.13**	**1,237.51**	**1,286.46**
Total assets	**2,104.35**	**1,262.57**	**2,325.59**	**2,826.00**	**3,052.28**	**3,437.56**
Current liabilities						
Due to banks	171.86	174.95	101.91	114.88	114.88	114.88
Current portion of LTD	36.45	18.71	27.34	0.00	0.00	0.00
Creditors and short term balances	191.76	141.58	115.01	124.59	155.74	191.78
Provisions	22.68	12.90	28.05	16.54	20.89	41.88
Total Current Liabilities	**422.75**	**348.13**	**272.31**	**256.02**	**291.52**	**348.54**
Long term liabilities						
Long term loans	224.92	321.73	135.03	275.02	353.24	442.46
Bonds	250.00	0.00	650.00	650.00	650.00	650.00
Creditors and long term balances	13.46	4.73	11.22	2.82	2.82	2.82
Due to Holding Company	0.00	7.20	0.00	30.00	25.00	20.00
Total long term liabilities	**488.38**	**333.66**	**796.25**	**957.84**	**1,031.06**	**1,115.28**
Total liabilities	**911.13**	**681.80**	**1,068.56**	**1,213.86**	**1,322.58**	**1,463.83**
Shareholders' equity						
Issued and paid-in capital	1,149.88	570.25	1,149.88	1,499.88	1,499.88	1,499.88
Legal reserve	0.00	0.00	0.00	7.43	17.31	29.69
Retained profits	0.00	0.00	0.00	55.53	153.11	371.12
Net profit for the period	0.00	0.00	61.51	0.00	0.00	0.00
Minority Interest	43.34	10.53	45.65	49.31	59.39	73.04
Total shareholders' equity	**1,193.22**	**580.78**	**1,257.03**	**1,612.15**	**1,729.70**	**1,973.73**
Total liabilities and shareholders' equity	**2,104.35**	**1,262.57**	**2,325.59**	**2,826.00**	**3,052.28**	**3,437.56**

Source: Lakah Group, HSBC